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ARIZONA CORPORATION COMMISSION

December 10, 1997

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street  
Room 222  
Washington, D.C. 20554

Re: Arizona Corporation Commission's Petition  
for Expedited Waiver of 47 C.F.R. § 54.409(a)  
Docket No. 96-45

Dear Secretary Salas:

On December 3, 1997, the Arizona Corporation Commission ("ACC") filed a Petition with the FCC for Expedited Waiver of 47 C.F.R. § 54.409(a). In its Petition, the ACC requested a waiver until July 30, 1998, of the income only eligibility requirement for Arizona's Senior Discount Program contained in Ariz. Rev. Stat. §§46.701-46.704, so that these customers could continue to receive federal matching funds pending the necessary revisions to state law. The ACC also requested a waiver of the income only eligibility requirement contained in 47 C.F.R. § 54.409(a) for U S WEST Communications, Inc.'s ("USWC") Telephone Assistance Plan ("TAP") for the medically needy so that these customers could continue to qualify for a higher discount than the maximum available under the Lifeline program. Finally, the ACC requested clarification regarding use of the federal default criteria. The purpose of this letter is to expand upon the ACC's request for clarification regarding use of the federal default criteria.

It is the ACC's interpretation of the relevant provisions of the FCC's First Report and Order and attached rules and regulations, that eligible telecommunications carriers ("ETCs") in Arizona must continue to use the state criteria for the state Senior Discount plan only until that state law is changed. Grant of the ACC's waiver request, however, would allow these customers to continue to receive federal matching funds pending the necessary changes to state law. During the interim period until the state law is changed, the ACC considers this program to be but a subset of the larger Lifeline plan established by the FCC's First Report and Order which becomes effective January 1, 1998. The more expanded state plan would provide \$5.25 in baseline support to low-income customers utilizing the federal default "income only" criteria; until state matching funds become available. The ACC will be addressing a recommendation of its Staff to adopt the federal default criteria for Arizona's expanded Lifeline program (\$5.25 baseline support) at an upcoming public meeting scheduled for December 16-17, 1997.

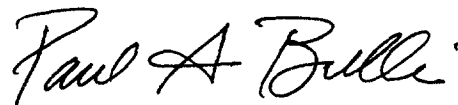
Ms. Magalie Roman Salas  
December 10, 1997  
Page Two

The ACC urges the FCC to reject a much more restrictive interpretation of its rules being advanced by a few, which would require states such as Arizona to use the state criteria of existing plans, such as the Senior Discount plan, however narrowly targeted, for purposes of the more expanded "income only" Lifeline program established by the First Report and Order, until the state statute could be changed. The net result of this restrictive interpretation would mean that approximately 340,000 of the 350,000 Arizona low-income customers entitled to the \$ 5.25 in assistance under the federal default criteria, could not qualify for Lifeline assistance until the state Senior Discount law was changed, which at the earliest would be July 30, 1998. Under the narrow state criteria for Arizona's Senior Discount Program, less than approximately 10,000 Arizona customers qualify for assistance. Three hundred and forty thousand Arizona low-income consumers should not be held hostage pending changes to a state law which has no application whatsoever to Arizona's more expanded Lifeline program. Such an interpretation would fly in the face of the FCC's stated goal of "increasing low-income subscribership [which] will best be met if the qualifications to receive Lifeline assistance are based solely on income or factors directly related to income." First Report and Order at para. 373.

In summary, the FCC should not require states such as Arizona, that have existing plans in place which are narrowly targeted to small segments of its population, to utilize these extremely narrow criteria for purposes of the more expanded Lifeline program (\$5.25 baseline amount) established by the FCC's First Report and Order. This would merely act to penalize states such as Arizona for being in the unfortunate position of having adopted a state assistance plan in the first place. The \$5.25 baseline amount was made available to all states, regardless of whether they had state plans in place or not. This is the only reasonable and equitable interpretation of the rules.

If you have any questions regarding this letter or the ACC's Petition for Waiver, please do not hesitate to contact me or Maureen Scott at (602) 542-3402. Thank you for your consideration.

Very truly yours,

A handwritten signature in black ink that reads "Paul A. Bullis". The signature is written in a cursive, flowing style.

Paul A. Bullis  
Chief Counsel

cc: Jim Irvin, Chairman-Commissioner  
Renz D. Jennings, Commissioner  
Carl J. Kunasek, Commissioner  
Ms. Sheryl Todd, FCC Common Carrier Division  
Ms. Lori Wright, FCC Common Carrier Division